



# Defense Finance and Accounting Service

---

## *Contract Close-Out*

***Presentation by:***

Martha Stearns

Deputy Director, Commercial Pay Business Line

May 15, 2003

*Your Financial Partner @ Work*

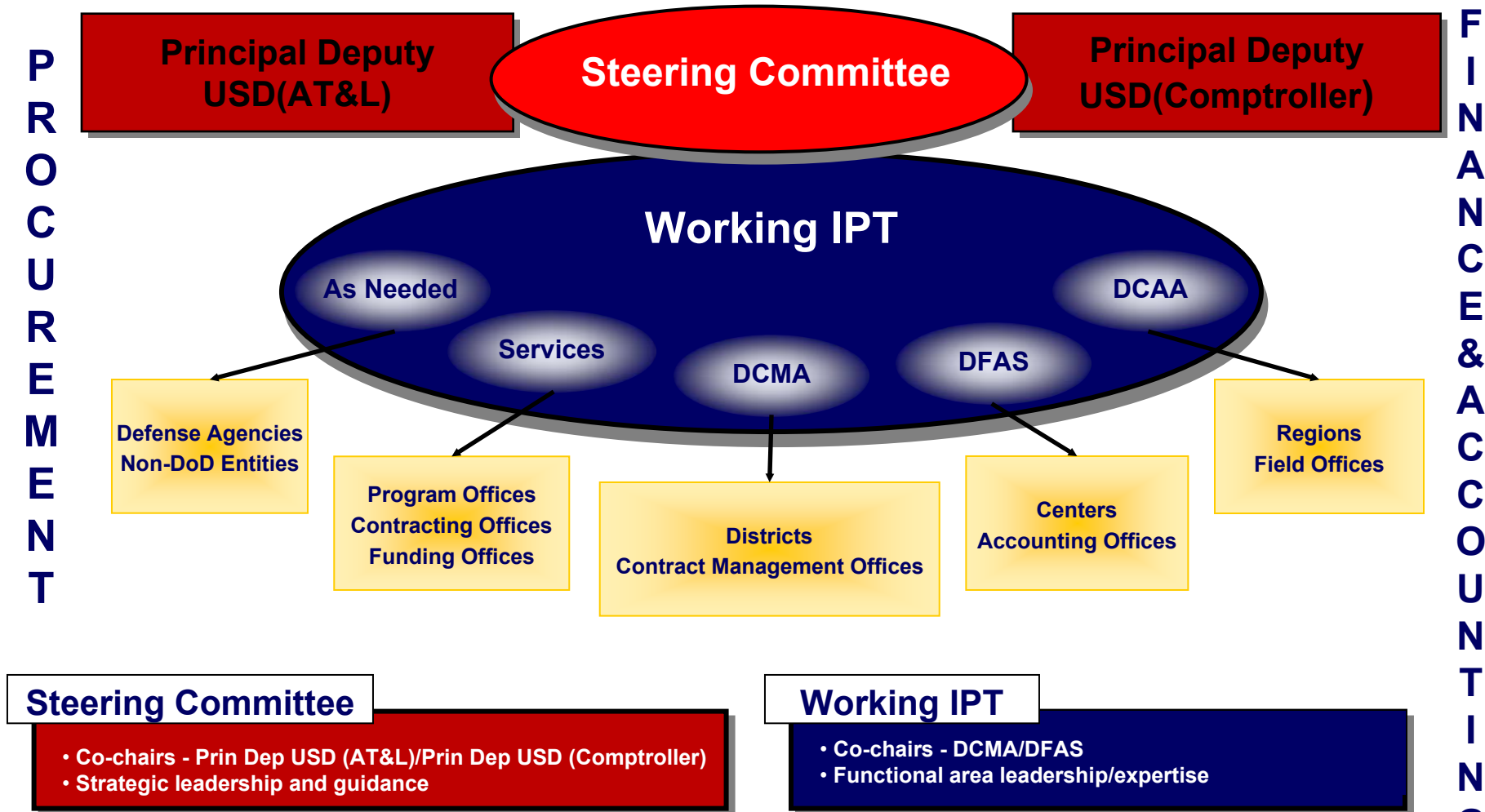
- **Contract Close-Out and Conversion**
  - Background
  - Operating Structure
  - Roles and Responsibilities
- **Current Initiatives**
  - Close-Out Strategies
  - Process Improvements/Preventative Measures

# Contract Close-Out and Conversion IPT

- DRID #53
  - Signed 3/23/00 by Deputy Secretary of Defense
- Charter
  - Signed 8/29/00
  - Objective: Integrate and coordinate the reconciliation, closeout and conversion of contracts to prepare for the retirement of MOCAS



# Operating Structure



## DRID 53 - Roles and Responsibilities

- **Steering Committee**
  - Approve action plans
  - Address legislative issues
- **Working IPT**
  - Recommend expedited processes
  - Report metrics
  - Subgroups
    - Conversion
    - Reconciliation



# Close-Out Initiatives

- **Close-Out Strategies**
  - MOCAS OPR Matrix
  - Wynne initiatives
  - Contractor Prepared Reconciliation
  - Unreconcilable contracts
- **Process Improvements/Preventative Measures**
  - MOCAS Data Sharing Initiative (MDSI)
  - Reopen Rapid Improvement Team (RIT)
  - Legislative relief
  - DAR Council Ad Hoc Committee - Contract Close-Out
  - Contract Close-Out Reconciliation Planning IPT
  - DCMA streamlining initiatives
  - Preventing of out-of-balance conditions study

# MOCAS OPR Matrix

*What is the OPR Matrix?*

- The OPR Matrix is a tool that –
  - Categorizes each overage contract in MOCAS – “Bucket Approach”
  - Identifies the Office of Primary Responsibility (OPR)
  - Provides a breakout by service
- Identifies next action required to close contracts
- Data distribution
  - DCMA provides to working group members by 10th working day of each month
- Office of Primary Responsibility
  - Major players in contract closeout – broken out by agency
- Goals
  - Drive the absolute numbers in MOCAS down to zero
  - Commitment from each OPR to work bucket
  - Results in expedited close-out process

*Why Use This Approach?*

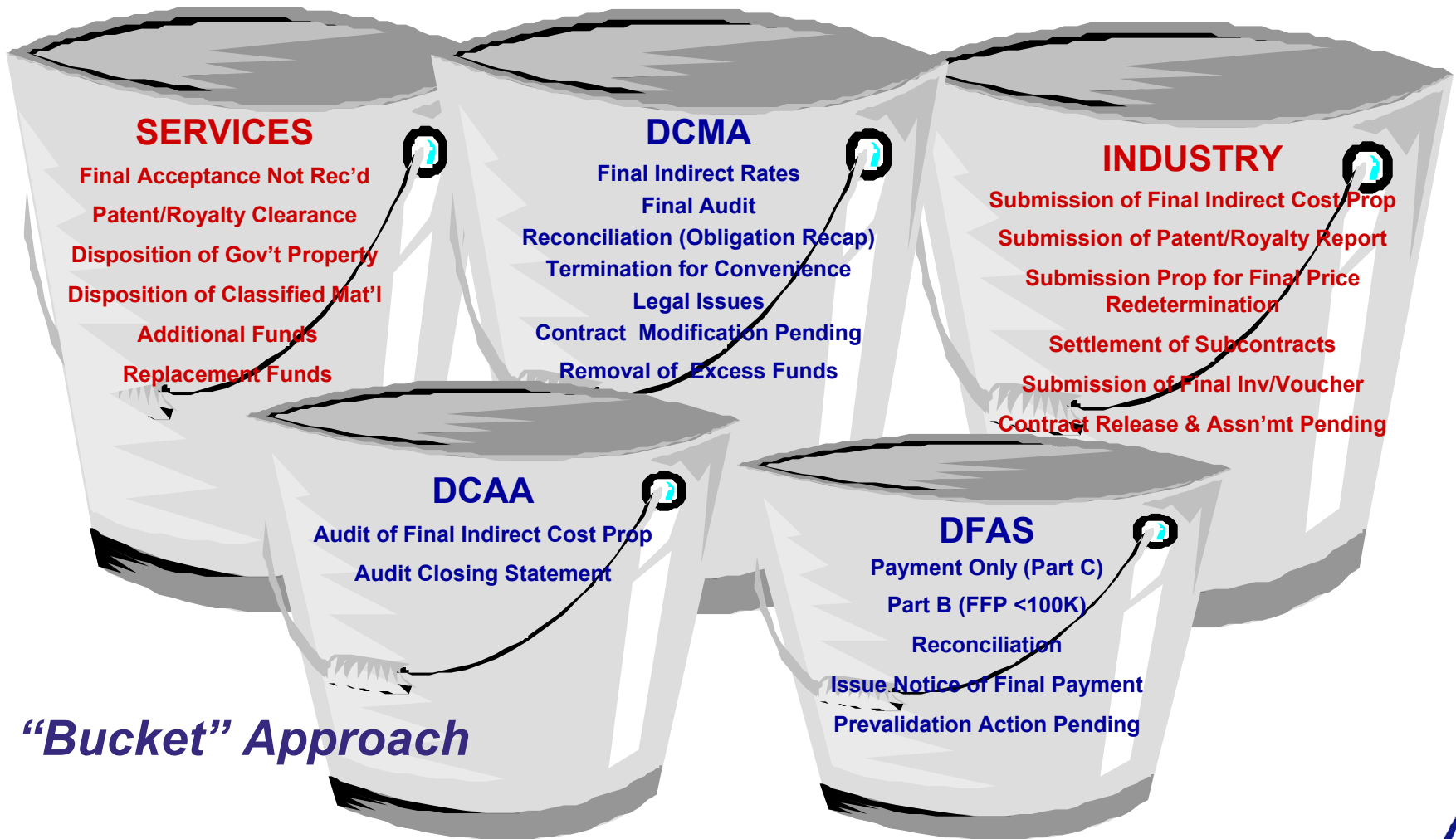
*How Often?*

*Who Is Responsible?*

*What is the Overall Goal?*



## Assignment of OPR Responsibility





# Wynne Initiatives

Phase	Description	Beginning Balance	# Closed	% Closed
I	Cost type contracts physically complete over 8 years old and under \$1 million	448	429	96%
II	Cost type contracts physically complete over 8 years old and over \$1 million	187	131	70%
III	All contracts physically complete over 7 years (final acceptance date earlier than September 30, 1996)	3869	2607	67%
IV	Close all physically complete contracts over 6 years old, (final acceptance dates earlier than September 30, 1998).	5120		

# Contractor Prepared Reconciliation

- Program sponsored by DCAA, began as a pilot in FY'00
- Objective: expedite contract close-out on contracts with significant obligation and disbursement issues
- Process:
  - DCAA/DCMA/DFAS/Contractors jointly identify contracts for reconciliation
  - Share MOCAS obligation and disbursement records with contractor
  - Contractor prepares reconciliation using its records and government records, reconciling at lowest possible level
  - DCAA reviews results and issues opinion on adequacy of the reconciliation along with recommendations for corrective action
  - DFAS utilizes results to expedite recon process

# Unreconcilable Contracts

- Reconciliation Sub-Group developed draft guidance for identifying and fencing unreconcilable contracts
- Process includes:
  - Ensure contract is physically and administratively complete
  - Move to CAR Section 4
  - Conduct a thorough document search
  - Perform a partial reconciliation
  - Designate the contract as unreconcilable
- Next step: explore disposition options



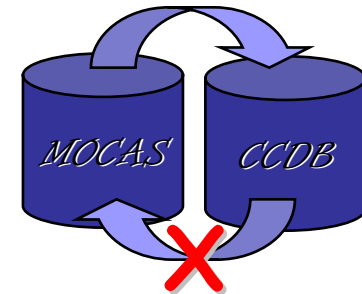
# MOCAS Data Sharing Initiative (MDSI)

- DCMA sponsored initiative
- Objective: provide contractors with MOCAS data extracts to help identify discrepancies between MOCAS and contractor databases
- Expected benefits
  - Government:
    - Highlight errors in MOCAS and expedite correction
    - Reduce/avoid payment delays
    - Aid reconciliation efforts
    - Speed close-out
  - Contractor:
    - Highlight errors in contractor databases
    - Reduce/avoid payment delays
    - Identify unbilled deliveries
    - Improve cash flow



# Reopen Rapid Improvement Team (RIT)

- Chartered November 2002
- Membership includes DFAS and DCMA reps
- Objectives:
  - Review existing close-out processes and recommend improvements
  - Develop comprehensive close-out checklist
  - Identify and monitor reopened contracts
  - Identify and validate reasons for reopens
  - Complete actions to permanently re-close
  - Prepare list of lessons learned and share helpful tools developed by the team
- Status:
  - Preparing final deliverables
  - Planning future actions



# Legislative Relief

- AT&L sponsored proposal has cleared OMB and is awaiting congressional review
- Proposal reads:

*SEC. \_\_\_\_ CONTRACT CLOSEOUT.*

*(a) IN GENERAL. -- The Secretary of Defense shall have the authority to promulgate regulations to settle the financial accounts for contracts executed prior to September 30, 1996 that are administratively complete and for which any unreconciled balance, either positive or negative, is less than \$100,000.*

*(b) FINALITY OF DECISION. -- Decisions carried out in accordance with these regulations shall be final and conclusive upon the accounting officers of the United States.*



# DAR Council Ad Hoc Committee— Contract Closeout

- DAR Council Ad Hoc Committee established May 1, 2002.
- Purpose: Determine any revisions to the FAR and its supplements that can be made to facilitate the contract closeout process.
- Actions:
  - Published an advance notice of proposed rulemaking in the Federal Register to get field and industry input on possible FAR and FAR supplements revisions
  - Reviewing the contract closeout process and determine what FAR and FAR supplements requirements affect the contract closeout process
  - Drafting proposed revisions to the FAR and FAR supplements



# Contract Close-Out Reconciliation Planning IPT

- Initial meeting March 6, 2003
- Purpose: Determine any revisions to the FMR that can be made to facilitate the contract close-out process.
- Current actions:
  - Developed draft process flow for contract close-out where financial issues prevent contract closure
  - Identified decision points where other disposition alternatives should be considered
  - Documented unanswered questions related to the process
- Next steps:
  - Conduct further research to resolved open issues
  - Draft proposed statutory and regulatory changes





# DCMA Streamlining Initiatives

- Goal is to decrease the major drivers of overage contracts
- **Non Submittal of Final Voucher**
  - For Contractors with Delinquent Final Vouchers
    - Letters written to CEOs and CFOs
    - Unilateral Determination of the Final Price of Contract
    - Rescind Direct Billing
- **No Final Indirect Rates**
  - Work with Contractors to obtain Final rate proposal by writing reminder and follow-up letters
  - If Indirect Final Rate proposal is not submitted
    - Rescind Direct Billing
    - Unilaterally determine Final Rates
- **Awaiting Audit of Final Voucher**
  - Waive audit for T&M Contracts under \$1M for low risk contractors
  - Encourage use by contractors of Cumulative Allowable Cost Worksheets



# Preventing of Out-of-Balance Conditions Study

- DFAS conducted high-level review of practices resulting in out-of-balance conditions between MOCAS and accounting records
- Major drivers included:
  - Lack of single source entry for common data
  - Failures in data transmission
  - Adjustments not posted in a coordinated manner
  - Inherent differences between fiscal (appropriation) and contract (CLIN/ACRN) accounting
- Next steps:
  - Assess the full magnitude of the problem
  - Correct current out-of-balance conditions
  - Implement process improvements to prevent future recurrence

# Questions?

